

Risk-Based Preaward Surveys (PASs)

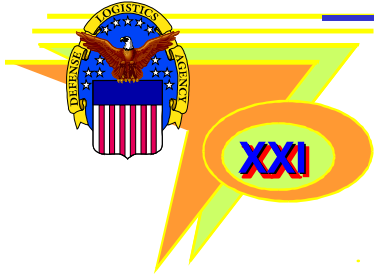


Bob Kennedy
Supplier Risk Management
Group
Telephone: 703.767.3382
Email: robert.kennedy@hqs.dla.mil



Agenda

- Overview
- Customer Visits
- Customer Comments
- Risk Rating Categories & Definitions
- Risk Handling Strategy & Definitions
- Template Example(s)
- Plan of Action & Milestones
- Pilot Test Operation
- Summary



Overview

- Buying Activity requested PAS.
- DCMC CAO recommended “Award.”
- PCO issued a “T4C” due to financial problems.
- Buying Activity questioned reliability of PAS process.
- DCMC kicked off a review of PAS process to include reorientation toward risk assessments.
- Briefed Risk-Based PAS concept at July Ops Chiefs Mtg
Action: “*Solicit Customer input on Risk-Based PAS concept*”
- Conducted Customer visits--**Very well received!**
- Developed common risk definitions--**Customers concurred!**
- 5 Pilot Sites selected to develop and test concept.
- Briefed Executive Council--Given the “Go-Ahead” to begin!



Customer Visits

- **Army:**
 - Tank Automotive and Armaments Command (TACOM)*
 - Aviation and Missile Command (AMCOM)
- **Air Force:**
 - Ogden Air Logistics Center--Hill AF*
 - San Antonio Air Logistics Center--Kelly AFB
- **Defense Logistics Agency:**
 - Defense Energy Support Center (DESC)*
- **Navy:**
 - Naval Inventory Control Point (ICP)* (*Contacted; did not visit*)
- Customer Liaison Representatives (CLRs) facilitated visits.
- District PAS Process Champions/CAO PASMs supported visits.

*Major Customer by Service



Customer Comments

“Risk-Based PASs are an excellent idea...current PAS is limited.”

“Exactly the type of product they would like to see DCMC provide...”

“Useful tool...in line with Acquisition Reform.”

“Great idea...When will it be ready?..How can we help?”

“Challenge for DCMC is providing accurate, consistent, clearly written narratives in risk-based terms.”



Risk Rating Categories & Definitions

RISK-BASED PASs would identify and assess the risks associated with an offeror's proposed approach as it relates to accomplishing the requirements of the solicitation. Risk-Based PASs would also address an offeror's present and past work record to assess confidence in the offeror's ability to successfully perform as proposed.

RISK RATING CATEGORIES:*

HIGH (H)—Likely to cause significant serious disruption of schedule, increase in cost, or degradation of performance. Significant doubt exists, based on the offeror's performance record, that the offeror can perform the proposed effort.

MODERATE (M)—Can potentially cause some disruption of schedule, increase in cost, or degradation of performance. Some doubt exists, based on the offeror's performance record, that the offeror can perform the proposed effort.

LOW (L)—Has little potential to cause disruption of schedule, increase in cost, or degradation of performance. Little doubt exists, based on the offeror's performance record, that the offeror can perform the proposed effort.

*An overall **Risk Rating** would be assigned for the prospective contractor as well as for each factor (quality, technical, financial, safety, etc.) identified by the requesting activity. The Award/No Award recommendation would still be given.

Coordinated with Customers, District PASM's, Selected CAO PASM's, CLRs, HQ Personnel, SFAs



Risk Handling Strategy Definitions

RISK HANDLING STRATEGY* relates to the proposed surveillance activities, based on identified risk levels, that DCMC would provide to assure that contract requirements are fully met. The development and results of DCMC surveillance activities are available to customers.

HIGH (H)—Immediate and intensive surveillance will be accomplished. Options include: establishment of intensive system evaluations, product audits, partial or full process proofing, data review, root cause analysis, corrective actions, statistical sampling, etc. Also, process improvement integrated product teams (IPTs) will be established as a method toward mitigating risk.

MODERATE (M)—Intensity and frequency of surveillance may include establishment of scheduled system evaluations, process or product audits, partial or full process proofing, data review, root cause analysis, and corrective action, statistical sampling, etc. Also, process improvement integrated product teams (IPTs) will be established as a method toward mitigating risk.

LOW (L)—Intensity and frequency of surveillance is minimal and may be conducted using periodic reviews of Government and contractor data (e.g., Earned Value Management System (EVMS), delivery performance history, process control data, extensive audit data).

*An overall **Risk Handling Strategy** would be assigned for the prospective contractor as well as for each factor (quality, technical, financial, safety, etc.) identified by the requesting activity. The Award/No Award recommendation would still be given.

Coordinated with Customers, District PASMs, Selected CAO PASMs, CLRs, HQ Personnel, S

SF1403 "DRAFT" Template--PASM Comments

SECTION III - FACTORS TO BE INVESTIGATED

19. MAJOR FACTORS	CHK. (a)	SAT. (b)	UN- SAT. (c)	20. OTHER FACTORS (Provide specific requirements in Remarks)	CHK. (a)	SAT. (b)	UN- SAT. (c)
A. TECHNICAL CAPABILITY				A. GOVERNMENT PROPERTY CONTROL			
B. PRODUCTION CAPABILITY				B. TRANSPORTATION			
C. QUALITY ASSURANCE CAPABILITY				C. PACKAGING			
D. FINANCIAL CAPABILITY				D. SECURITY			
E. ACCOUNTING SYSTEM				E. SAFETY			
21. IS THIS A SHORT FORM PREAWARD REPORT? (For completion by surveying activity)				F. ENVIRONMENTAL/ENERGY CONSIDERATION			
<input type="checkbox"/> YES <input type="checkbox"/> NO				G. FLIGHT OPERATIONS/FLIGHT SAFETY			
22. IS A FINANCIAL ASSISTANCE PAYMENT PROVISION IN THE SOLICITATION? (For completion by contracting activity)				H. OTHER (Specify)			
<input type="checkbox"/> YES <input type="checkbox"/> NO							
23. REMARKS (For Contracting Activity Use)							

Risk Rating Categories

- ☐ **HIGH (H)**—Likely to cause significant serious disruption of schedule, increase in cost, or degradation of performance.
- ☒ Significant doubt exists, based on the offeror's performance record, that the offeror can perform the proposed effort.
- ☐ **MODERATE (M)**—Can potentially cause some disruption of schedule, increase in cost, or degradation of performance.
- ☐ Some doubt exists, based on the offeror's performance record, that the offeror can perform the proposed effort.

Risk Handling Strategy

- ☐ **HIGH (H)**—Immediate and intensive surveillance will be accomplished. Options include: establishment of intensive system evaluations, product audits, partial or full process proofing, data review, root cause analysis, corrective actions, statistical sampling, etc.
- ☐ **MODERATE (M)**—Intensity and frequency of surveillance may include establishment of scheduled system evaluations, process or product audits, partial or full process proofing, data review, root cause analysis, and corrective action, statistical sampling, etc.
- ☒ **MODERATE (M)**—Intensity and frequency of surveillance may include establishment of scheduled system evaluations, process or product audits, partial or full process proofing, data review, root cause analysis, and corrective action, statistical sampling, etc.
- Also, process improvement integrated product teams (IPTs) will be established as a method toward mitigating risk.
- ☐ **LOW (L)**—Intensity and frequency of surveillance is minimal and may be conducted using periodic reviews of Government and contractor data (e.g., Earned Value Management System (EVMS), delivery performance history, process control data, extensive audit data).

Narrative

- The contractor is considered Moderate Risk overall because...high risk in quality because...low risk in financial because...
- The risk handling strategy that we would employ during the administration of this contract is the following surveillance activities...

SECTION IV - SURVEYING ACTIVITY RECOMMENDATIONS

24. RECOMMEND	25A. NAME AND TITLE OF SURVEY APPROVING OFFICIAL	25B. TELEPHONE NO.
<input type="checkbox"/> A. COMPLETE AWARD	25C. SIGNATURE	25D. DATE
<input type="checkbox"/> B. PARTIAL AWARD (Quantity _____)		
<input type="checkbox"/> C. NO AWARD		

SF 1406 “DRAFT” Template--QAR Comments

*SF1404 (Technical) SF1405 (Production) SF1407 (Financial)
SF1408 (Accounting System) would look the same.*

PREAWARD SURVEY OF PROSPECTIVE CONTRACTOR QUALITY ASSURANCE	<div style="border-bottom: 1px solid black; height: 15px; margin-bottom: 5px;"></div> <div style="border-bottom: 1px solid black; height: 15px; margin-bottom: 5px;"></div> <div style="border-bottom: 1px solid black; height: 10px;"></div>
SECTION I - RECOMMENDATION	
1. RECOMMEND: <input type="checkbox"/> AWARD <input type="checkbox"/> NO AWARD _____	
<input type="checkbox"/> YES <input type="checkbox"/> NO	
3. AN ON-SITE SURVEY WAS PERFORMED.	
<input type="checkbox"/> YES <input type="checkbox"/> NO	
4. NARRATIVE	

Risk Rating
Categories

☒ **HIGH (H)**—Likely to cause significant serious disruption of schedule, increase in cost, or degradation of performance.
☐ Significant doubt exists, based on the offeror’s performance record, that the offeror can perform the proposed effort.

☐ **MODERATE (M)**—Can potentially cause some disruption of schedule, increase in cost, or degradation of performance.
 Some doubt exists, based on the offeror’s performance record, that the offeror can perform the proposed effort.

☐ **LOW (L)**—Has little potential to cause disruption of schedule, increase in cost, or degradation of performance.
 Little doubt exists, based on the offeror’s performance record, that the offeror can perform the proposed effort.

☒ **HIGH (H)**—Immediate and intensive surveillance will be accomplished. Options include: establishment of intensive system evaluations, product audits, partial or full process proofing, data review, root cause analysis, corrective actions, statistical sampling, etc.
 Also, process improvement integrated product teams (IPTs) will be established as a method toward mitigating risk.

☐ **MODERATE (M)**—Intensity and frequency of surveillance may include establishment of scheduled system evaluations, process or product audits, partial or full process proofing, data review, root cause analysis, and corrective action, statistical sampling, etc.
 Also, process improvement integrated product teams (IPTs) will be established as a method toward mitigating risk.

☐ **LOW (L)**—Intensity and frequency of surveillance is minimal and may be conducted using periodic reviews of Government and contractor data (e.g., Earned Value Management System (EVMS), delivery performance history, process control data, extensive audit data).

- The contractor is considered high risk in the quality area because...the risk handling strategy that we would employ during the administration of this contract is the following surveillance activities...

Risk Handling
Strategy

Narrative



Plan of Action & Milestones

Action: ECD

- Brief District Operations Chiefs Nov 15
- Notify Pilot CAO Sites Jan 1
- Brief Executive Council Jan 27
- Post Tasking Letter Feb 4
- Provide Training/Expectations at pilot Sites Feb 8-19
- Start Pilot Test Feb 22
 - DCMC Santa Ana (W)
 - DCMC Philadelphia (E)
 - DCMC Chicago (W)
 - DCMC Atlanta (E)
 - DCMC Americas--Ontario (I)
- Evaluate Progress; Possibly Add More Sites Apr 30
- Complete Pilot Test Jun 30
- Analyze/Present Results to Ops Chfs/EC Jul 30
- Update Policy, Procedures, & PASS Aug 30
- Deploy DCMC-Wide Sept 30

****Include NAVAIR as required--PAS Requests very Low***



Pilot Test Operation

- Risk-Based PAS only for “identified” Customers.
- Use common risk rating categories and definitions.
- Notify District/HQ PAS request and return to Customer.
- HQ will “*follow-up*” with Customers/CLRs--obtain feedback.
- HQ will provide “*real-time*” lessons learned to all pilot sites.
- Expectation:
 - Accurate Risk Assessments (Low, Moderate, High)
 - Consistent Risk-Based Narratives (Bullet format, state Risk up-front)
 - PAS response should put the Customer *at the supplier--Be very Clear*
 - Continue to provide Award/No Award recommendation
- Measure of Pilot Success--Customer Satisfaction!



Summary

- Concept viewed as “*Value Added*” by Buying Activities
- Need to further develop, refine, and validate the “idea”
- Customer involvement throughout concept development
- Key Success Factor: *Consistent Risk-Based Narratives*
- Risk Based PAS Concept is consistent with:
 - DoD/DCMC Risk Management Approach
 - RBA Supplier Excellence Group Recommendations
- Long-Term Strategy--Integrate with the Supplier Risk Management Program
- Goal is Customer Satisfaction